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Poultry and Products

Semi-Annual Report

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Report Highlights:
Domestic poultry production will continue to increase in Russia even though demand for bio-fuels is contributing to rising feed costs and hurting profits. The Russian government continues to search for a middle ground between protecting domestic poultry producers and protecting consumers from rising food prices. The average price for domestic frozen chicken products increased 7.4 percent from March to August 2007 but import prices remained relatively flat. The Russian government is expected to change the procedures for allocating meat and poultry import quotas. The Russian veterinary service plans to expand the list of countries whose meat and poultry imports will be subject to electronic verification. Custom declaration prices for poultry meat increased 12 percent in 2007. Domestic broiler production increased significantly in 2007 although is predicted to slow in 2008. Domestic turkey production also grew in 2007 and is forecast to grow by 25 percent in 2008.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Moscow [RS1]
[RS]

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Data included in this report are not official USDA data. Official USDA data are available at http://www.fas.usda.gov/psdonline.

Executive Summary

Domestic poultry production is expected to increase 10 percent in 2008 compared to a 15-percent growth rate in 2007. Demand for bio-fuels and high world grain prices are contributing to rising feed costs and hurting profits and investments. The Russian government continues to search for a middle ground between protecting domestic poultry producers and protecting consumers from rising food prices. The Russian Poultry Union has demanded more government assistance in controlling grain prices in addition to more protection from imports. Rising grain prices are revealing inefficiencies in domestic poultry production. Some Russian politicians are resorting to invalid comparisons between domestic and U.S. imported chicken in an effort to sway Russian consumers away from imported poultry.

Turkey products are a relatively new product on the Russian market and investors are committing resources to increase production capacity. Producers are positioning turkey as a healthier, more affordable alternative to red meat. Consumption is expected to fall, however, as increases in customs duties curtail imports. Growing domestic production and rising levels of domestic and foreign investment in this are expected to compensate some for the loss of imports.

The Russian Federal Antimonopoly Service (FAMS) drafted a resolution that would expand the number of importers eligible to receive meat and poultry tariff rate quota (TRQ) allocation in 2008 and 2009. The resolution would give quota allocation to importers that purchased volumes any time during the previous three years.

In late 2007 the Federal Customs Service (Customs) issued an order announcing a new list of approved customs declaration points authorized to handle import documentation for meat and meat products that left out many major points in the Russian Far East and the port of Saint Petersburg.

Avian influenza outbreaks were confirmed in a commercial poultry farm and several private backyard flocks in Rostov oblast in December 2007.

Production

Broiler production increased 15 percent in 2007 and is projected to grow another 10 percent in 2008 even though the profitability of poultry production is declining due to increasing input prices. In response, the Russian Poultry Union requested that the Ministry of Economic Development and Trade (MEDT) impose an import duty on poultry that is four times the currently set rate to slow imports and compensate domestic producers.

Poultry meat production is slated to increase by a further 650,000 metric tons (MT) to 2.5 million MT by 2012, including an increase of 150,000 MT-200,000 MT in 2008 alone. Egg production increased 1 percent in 2007 but is expected to grow at a much faster rate in 2008 due to expanding demand of domestic food processors.

Domestic turkey production is forecast to increase 25 percent in 2008. Several investors signed a $100 million agreement this in June 2007 to build a turkey production facility in southern Russia. Currently four major players dominate the market and they are steadily increasing turkey production. The total turkey meat consumption potential in Russia is approximately 175,000 MT, according to some estimates. Turkey is a relatively new product for Russia, and it is advertised as a healthy, less expensive alternative to beef. In retail trade turkey prices are 40 to 70 percent higher than broiler meat, and profits are up to 10 percent higher.

Russian Prime Minister Viktor Zubkov has publically stated that Russia should balance domestic meat output and meat imports as domestic producers should remain the first priority. Nevertheless, there is considerable pressure on the Russian government not to take measures restricting meat imports in order to combat rising food prices. Meat and poultry prices were the largest contributors to the overall growth of the cost of a consumer basket of goods from January-September 2007 compared with the same period a year earlier.

PSD Table

Country **Russian Federation**

Commodity **Poultry, Meat, Broiler** (MIL HEAD) (1000 MT) (PERCENT)

	2006 Revised			2007 Estimate			2008 Forecast		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	59	60	59	53	44	53	42	0	42
Production	1180	840	1180	1350	0	1350	1500	0	1485
Whole, Imports	85	85	85	90	0	90	90	0	90
Parts, Imports	1104	990	1104	1090	0	1100	1090	0	1150
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	1189	1075	1189	1180	0	1190	1180	0	1240
Total Supply	2428	1975	2428	2583	44	2593	2722	0	2767
Whole, Exports	0	0	0	0	0	0	0	0	0
Parts, Exports	2	1	2	1	0	1	1	0	1
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	2	1	2	1	0	1	1	0	1
Human Consumption	2373	1930	2373	2540	0	2550	2680	0	2725
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	2373	1930	2373	2540	0	2550	2680	0	2725
Total Use	2375	1931	2375	2541	0	2551	2681	0	2726
Ending Stocks	53	44	53	42	0	42	41	0	41
Total Distribution	2428	1975	2428	2583	0	2593	2722	0	2767
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	-44	0	0	0	0
Inventory Balance	-6	-16	-6	-11	-44	-11	-1	0	-1
Production Change	31	0	31	14	-100	14	11	0	10
Import Change	-3	0	-3	-1	-100	0	0	0	4
Export Change	-71	0	-71	-67	-100	-50	0	0	0
Trade Balance	-1187	-1074	-1187	-1179	0	-1189	-1179	0	-1239
Consumption Change	11	0	11	7	-100	7	6	0	7

Not Official USDA Data

PSD Table

Country	**Russian Federation**								
Commodity	**Poultry, Meat, Turkey**				(MIL HEAD) (1000 MT) (PERCENT)				
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01.2006	01.2006		01.2007	01.2007		01.2008	01.2008
Inventory (Reference)	0	0	0	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	19	18	19	25	0	30	30	0	40
Whole, Imports	1	1	1	0	0	0	0	0	0
Parts, Imports	95	85	95	65	0	65	55	0	65
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0	0	0	0
Total Imports	96	86	96	65	0	65	55	0	65
Total Supply	115	104	115	90	0	95	85	0	105
Whole, Exports	0	0	0	0	0	0	0	0	0
Parts, Exports	0	0	0	0	0	0	0	0	0
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Human Consumption	114	103	114	89	0	94	85	0	105
Other Use, Losses	1	1	1	1	0	1	0	0	0
Total Dom. Consumption	115	104	115	90	0	95	85	0	105
Total Use	115	104	115	90	0	95	85	0	105
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	115	104	115	90	0	95	85	0	105
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY Exp. to U.S.	0	0	0	0	0	0	0	0	0
Balance	0	0	0	0	0	0	0	0	0
Inventory Balance	0	0	0	0	0	0	0	0	0
Production Change	12	0	12	32	-100	58	20	0	33
Import Change	-10	0	-10	-32	-100	-32	-15	0	0
Export Change	0	0	0	0	0	0	0	0	0
Trade Balance	-96	-86	-96	-65	0	-65	-55	0	-65
Consumption Change	-7	0	-7	-22	-100	-17	-6	0	11

Not Official USDA Data

Feed Stocks

Feed stocks at the beginning of February 2008 were 2.2 percent lower compared to February 2007. Feed prices are currently RUR 8-9/kilo compared to RUR 3/kilo in spring 2007 (exchange rate is approximately RUR 24.5/USD 1). Lower feed stocks and higher prices will create problems for poultry operations in 2008 and hinder achievement of growth rates seen in previous years. Grain prices increased rapidly in Russia through the middle of July before finally stabilizing at high levels as harvest progress reports were released. To limit the negative effects of grain exports on feed prices, the Russian government issued a resolution on December 15, 2007, that authorizes imposition of bans on export of several “essential commodities” such as grain and grain products (see RS7094). In addition, Russia raised the export tariff on wheat and meslin to 40 percent ad valorem but not less than 105 Euros per MT, a prohibitive level effective January 28, 2008 to April 30, 2008.

Currently Russia is developing protocols to register feed produced from genetically modified organisms (GMOs). A Russian government resolution transferred the testing and registration of feeds involving GMOs to the Ministry of Agriculture’s Federal Veterinary and Phytosanitary Surveillance Service (VPSS). VPSS has developed the draft administrative statute (procedure) for registration and has already begun accepted applications based on the procedures described in that draft (see RS7078).

Table 1. Russia: Feed Availability as of February 1, 2008

	2005	2006	2007
Feed, total feed units*, million metric tons	22.0	20.3	20.1
including grain feed	6.7	6.5	6.4
Per cow-equivalent unit, fodder unit, kilogram	1370.0	1250.0	1220.0

Source: Russian Statistics Agency

*One feed unit equals 1 kilogram of oats in energy equivalent.

Table 2. Russia: Livestock Conversion Factors: Calculation of “Cow-Equivalent Units”

Type of Livestock	Conversion Factor
Adult cattle	1.0
Calves, more than 1 year old	0.50
Calves, less than 1 year old	0.12
Adult hogs	0.50
Piglets, more than 4 month old	0.25
Piglets less than 4 month old	0.05
Adult sheep and goats	0.10
Lambs	0.06
Adult horses	1.10
Colts, more than 12 month old	0.80
Colts, less than 12 month old	0.25
Poultry	**0.02**

Source: Manual “Statistics”, A.F. Grishina, 2003

Epizootic Situation

An outbreak of avian influenza (AI) was confirmed in late 2007 in a large poultry farm in Rostov Oblast in south Russia. Representatives of Gulyay-Borisovskaya poultry farm informed that birds began dying on November 29, 2007, and that laboratory studies confirmed the presence of H5 bird flu virus. As a precaution, the poultry farm's entire population of over half of million chickens was culled. Avian influenza outbreaks were later recorded in private backyard flocks located close to the poultry farm. Police set up quarantine in the affected region and restricted all movement of people, animals and goods. No human cases were reported. In total, approximately 517,000 chickens were destroyed during these series of outbreaks. Local veterinary officials suspect migratory waterfowl were the vectors. A second commercial poultry farm in Rostov Oblast was shut down as a preventive measure.

Consumption

Poultry meat consumption will continue to grow and is projected to rise by 5 percent in 2008 compared to the more rapid 10-percent growth in domestic production.

Turkey meat consumption is increasing in Russia as growth in domestic turkey production is compensating for some of the sharp decreases in turkey imports caused by stricter measures in assuring declaration of full customs values.

The poultry supply is expected to increase by 10 percent in 2008 due to sustained growth in domestic poultry production and large import volumes. Poultry consumption is also expected to grow as disposable incomes are increasing. Income growth in January 2008 jumped 12.9 percent compared to the income growth in January 2007. The gross domestic product grew by an annual 8.1 percent in 2007, exceeding the government's forecast and registering the fastest growth rate since 2000. The average wage increased an annual 16.2 percent in 2007, reaching RUR 18,467 ($754) per month in December, while retail sales grew 15.2 percent.

Trade

Poultry imports into Russia increased from 1.273 million MT in 2007 to 1.287 million MT in 2006 while the value of imports significantly increased from $921 million to $1.151 billion. The poultry TRQ for 2007 was set at 1.171 million MT.

The current livestock environment in Russia makes imported broiler meat an attractive source of animal protein for Russian consumers. As reported in previous GAIN reports (see Other Relevant Reports), cattle production has not yet begun to recover in Russia and pork production growth is still below Ministry of Agriculture expectations. Additionally, rising feed prices are slowing investments in the domestic broiler industry.

Table 3. Russia: Imports of Poultry, Meat and Fish, 2006–07, 1000 MT and Million USD

HSC	Commodity	1000 MT		Million USD	
		CY 2006	CY 2007	CY 2006	CY 2007
0202-0204	Meat, chilled & frozen	1,131	1,417	3,019	3,432
0207	**Poultry, chilled & frozen**	**1,273**	**1,287**	**921**	**1,151**
0302-0304	Fish, chilled & frozen	686	870	995	1,412

Source: Federal Customs Service

From January-September 2007, broiler cuts in relation to total poultry imports reached 88 percent; whole birds 6.2 percent; and turkey cuts 5 percent (compared to 87 percent, 5.7 percent and 6.7 percent, respectively during the same time period in 2006). The U.S. share of total broiler imports was 71 percent; Brazil 15 percent; and Germany 5.7 percent (compared to 69 percent, 15.5 percent and 4.7 percent, respectively a year earlier). Total turkey imports decreased 28 percent in January-September 2007 in comparison with 2006. France (38 percent) and the United States (18 percent) were the largest exporters of turkey cuts to Russia while Belgium and Germany also exported significant quantities (15.8 percent and 13.6 percent, respectively).

Table 4. Russia: Broiler Cuts Imports, HS 020714, in metric tons

Rank		2005	2006	2007	Percent Change 07/06
	--The World--	790,728	816,075	808,439	-0.94
1	United States	581,369	635,880	638,591	0.43
2	Brazil	114,851	95,978	96,006	0.03
3	Germany	45,923	32,959	38,140	15.72
4	France	7,049	5,707	9,254	62.15
5	Belgium	9,222	14,466	8,003	-44.67
6	Netherlands	5,327	8,402	6,874	-18.19
7	Canada	7,839	1,860	3,884	108.81
8	Finland	919	3,598	2,303	-36
9	United Kingdom	10,446	10,770	2,274	-78.89
10	Argentina	1,768	1,272	1,434	12.69

Source: World Trade Atlas

Table 5. Russia: Turkey Cuts Imports, HS 020727, in metric tons

Rank		Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007	Percent Change 07/06
	--The World--	49,972	63,163	45,554	-27.88
1	France	25,499	22,075	17,202	-22.08
2	United States	4,444	9,052	8,270	-8.64
3	Belgium	3,839	6,844	7,397	8.08
4	Germany	4,633	8,118	6,197	-23.66
5	Brazil	7,993	9,290	3,909	-57.92
6	United Kingdom	694	5,759	1,386	-75.94

Source: World Trade Atlas

Poultry Out-Of-Quota Import Duties Increase

Russian government Decree No. 13 dated January 19, 2008, increased 2008 out-of-quota import duties on poultry from 50 percent but not less than 0.4 Euro per kilo to 60 percent but not less than 0.48 Euro per kilo (see RS8005). The decree took effect February 19, 2008.

Russia Amends List of Approved Customs Declaration Points for Meat and Poultry

On November 17, 2007, Customs published a new list of declaration points authorized to handle import documentation for meat and meat products. Conspicuously missing were many declaration points in the Russian Far East Customs Directorate and the North West Customs Directorate, which handle more than 85 percent of total Russian meat imports. The list was scheduled to go into effect February 17, 2008, but was later postponed until April 15, 2008 (see RS7085 and RS8007). Meat importers and processors hope the list of declaration points will be expanded, as the current order would cause considerable disruption to imports and prices. Due to complaints and requests for further information, the Federal Customs Service has published more information concerning the Order, promising to expand the list of custom posts authorized to clear meat shipments. The inclusion of the Baltiyskiy customs post in Saint Petersburg is the highest volume declaration point being considered.

The 2-month extension will give officials from the Russian Far East Customs Directorate and the North West Customs time to take necessary action to be added to the new list before the April 15 deadline.

Stocks

Growing domestic poultry production and stable poultry imports provided sufficient stocks of poultry products for retail trade, meat processing, and catering industries. Carryover is whatever amounts are needed for normal commercial purposes.

Food Prices

The Russian Statistics Agency (Rosstat) announced that the annual inflation rate hit 11.9 percent in 2007 with growth in food prices as a primary contributor. This is much higher than the originally forecast 8 percent. According to Rosstat, food prices in Russia increased by as much as 30 percent in September 2007 alone for nine out of every ten food products. The Russian government took a number of measures to combat climbing food prices including the introduction of export tariffs on barley and wheat, the reduction of import duties on dairy products, and a temporary freeze on prices of staple foodstuffs.

Staple commodities experienced considerable price increases, such as vegetable oil (up 13.5 percent), pasteurized milk (up 9.4 percent), yogurt products (up 7.9 percent) and cottage cheese (up 7.5 percent). Increasing meat prices are a large contributor to inflationary pressures in Russia.

In October 2007, Minister of Agriculture Gordeyev headed a closed-door meeting attended by government officials and major retailers and producers to discuss concerns with growing food prices. At that meeting, representatives from large retail chains such as Metro, Perekryostok and Mosmart agreed to freeze prices at October 15 levels on staple foodstuffs until the January 31, 2008 and possibly beyond that date. The price freeze has already been extended to May 2008 (see RS8006).

Despite measures to halt price growth, food prices continued to climb 3.3 percent in October 2007 and 1.9 percent in November 2007.

Russia Takes Measures to Combat Price Growth

The Russian government has taken several measures to combat climbing food prices:

- In an effort to reduce inflationary pressures on the Russian economy, on October 10, 2007, Minister of Agriculture Aleksey Gordeyev announced a 30-percent export tariff on barley and 10-percent export tariff on wheat would be imposed in November (see RS7068 and RS7070).

- On October 24, 2007, a formal agreement was signed between the Ministry of Agriculture, major retailers, and producers to freeze prices at October 15 levels on staple foodstuffs until January 31, 2008. Specific varieties of bread, cheese, milk, eggs and vegetable oil are some of the products considered to be of social significance that were affected by the price freeze (see RS7094). The price was extended until May 2008 in late January.

- Russia also announced that the new 2008 budget will allocate one billion rubles (US$40 million) to subsidize interest rates on working capital loans for milk processors to acquire raw materials. However, companies applying for the subsidized loans must agree to maintain price controls for a certain period.

- Russia issued a Resolution that orders the Federal Antimonopoly Service to work with regional leaders to ensure producers and food retailers are observing antimonopoly legislation, with special attention to be paid to dairy products.

- Russia issued resolution No. 674 on October 15, 2007, under which tariff rates will be set at 5 percent of customs value for milk and dairy products, and 0.3 Euro per kilo on cheese, excluding positions 0406 10 through 0406 40, on which duties are set at 5 percent. Market analysts predict it will have little if any effect on rising dairy prices as consumer demand continues to grow rapidly.

- MEDT has proposed implementing an export duty on dry milk.

- The Russian export tariff on wheat and meslin was raised to 40 percent ad valorem but not less than 105 Euros/MT, a prohibitive level effective January 28, 2008 to April 30, 2008.

Table 6. Russia: Consumer Price Indices for Selected Food Products, 2007

	Percentage as of previous month				Dec 07 as of Dec 06	Dec 06 as of Dec 05
	September	October	November	December		
Bread & bakery products	101.6	101.0	100.4	100.6	122.4	111.1
Cereals & legumes	102.1	102.9	102.9	101.7	124.7	112.1
Pasta	102.5	103.1	103.3	102.0	123.6	104.7
Meat & poultry	**101.2**	**101.0**	**100.8**	**101.0**	**108.4**	**105.9**
Seafood	100.6	100.9	101.0	101.1	109.0	107.8
Dairy products	107.2	109.6	103.7	102.5	130.4	108.7

Source: Russian Statistics Agency

Russia Amends List of Approved Customs Declaration Points for Meat

On November 17, 2007, Customs published a new list of declaration points authorized to handle imports of meat and meat products. Conspicuously missing were many declaration points in the Russian Far East Customs Directorate and the North West Customs Directorate, which handle more than 85 percent of total Russian meat imports. The list was scheduled to go into effect February 17, 2008, but was later extended until April 15, 2008 (see RS7085 and RS8007). Meat importers and processors hope the list of declaration points will be expanded soon as the current order would cause considerable disruption to imports and prices. Due to complaints and requests for further information, Customs published more information concerning the Order, promising to expand the list of custom posts authorized to clear meat shipments. The inclusion of the Baltiyskiy customs post is the predominant portal being considered.

The 2-month extension will give officials from the Russian Far East Customs Directorate and the North West Customs time to take necessary action to be added to the new list before the April 15 deadline.

Policy

Russia's chief negotiator for World Trade Organization accession, Maksim Medvedkov, recently stated that Russia may complete talks on joining the World Trade Organization (WTO) in August. "Technically, the possibility of completing (WTO) talks in August really exists," he said. Medvedkov also stated in a recent press conference that he believes that progress is being made in talks on Russia's accession. To date, Russia has signed WTO protocols with all WTO members that wished to hold bilateral talks with it, excluding Georgia and Saudi Arabia. In addition to bilateral talks, Russia has yet to complete multilateral WTO negotiations although much progress has been made during the last year.

Tariff-rate quotas on beef, pork and poultry meat imports will remain in their established frameworks until 2009. Negotiations will be conducted with major trading partners to decide what mechanism will be established for meat imports. Russian officials have not ruled out extending the current tariff-rate quota system, but its future after 2009 remains uncertain. MEDT representatives have stated in the past that Russia may change its policy on meat imports after it joins the WTO. In 2009, Russia has the option of switching from quotas to tariffs, which would effectively increase the level of protection in the domestic meat market. Commenting on proposals to eliminate the country allocation principle for distributing meat quotas, an MEDT representative said that this mechanism fully complies with WTO rules. He also added that this may be source of friction at future negotiations (see RS7025).

After Russia joins the WTO, the average duty on agricultural products will decrease by three percent to about 18 percent.

Distribution of 2008 Poultry Tariff Rate Quota Has Begun

On December 14, 2007, MEDT announced the distribution of 25 percent of the 2008 beef, pork and poultry TRQ. The allocations were based on January–September 2007 import data by individual companies, provided by the Federal Customs Service. The remaining 75 percent allocations will be based on full-year import data.

The 2008 U.S. allocation for poultry is 901,400 MT, of which 25 percent (225,350 MT) has been allocated so far. The remainder of the TRQ is expected to be announced shortly (see RS7093).

The timing of the publication is in accordance with Russian government resolutions relating to the TRQ legislation. The complete list is available on MEDT's website at www,economy,gov,ru in the following four documents:

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of fresh and chilled beef (HS 0201) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of frozen beef (HS 0202) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of pork (HS 0203) in 2008 according to the data of the Federal Customs Service.

- List of participants in foreign trade and calculation of 25 percent of maximum import volumes of poultry (HS 0207) in 2008 according to the data of the Federal Customs Service.

Russia and Brazil Collaborate Further on Meat Trade

In January 2008, Russia and Brazil signed a protocol for a new inspection system on Brazilian meat and poultry imports called, "The Protocol Statement from the Meeting between the Heads of Russian Federal Veterinary and Phytosanitary Surveillance Service and the Secretariat for Crop and Livestock Protection of the Brazilian Agriculture Ministry Regarding the Import Terms on Animal Products from Brazil to Russia."

According to VPSS Head Sergey Dankvert, both Russia and Brazil became more confident in the quality of Brazilian meat and poultry imports to Russia. An electronic verification system was introduced for Brazilian meat product imports to Russia and both sides have agreed on the application of special labels to accompany meat and poultry deliveries and products from Brazil, specifying the producer and indicating that the product meets Russian veterinary and sanitary requirements.

In addition, Brazilian inspectors, instead of Russian resident veterinary inspectors, are now examining meat shipments coming out of Brazilian ports. Inacio Afonso Kroetz, the Brazilian Agricultural Ministry's Secretary for Crop and Livestock, promised to increase the number of veterinary inspectors that verify meat and poultry shipments to Russia meet all food safety requirements (see RS8003).

Electronic Verification for Meat and Poultry Imports

The Russian veterinary service plans to expand the list of countries, meat and poultry imports from which will be subject to electronic verification. The system is designed to detect counterfeit veterinary certificates, and support efforts to reduce smuggling of illegal livestock products into Russia. The new system was launched in early 2007 for Australian imports of red meats and now includes Brazil, Canada and Denmark. According to VPSS representatives, the new electronic system will soon be applied to beef, pork and poultry imports from all countries. Russian veterinary officials have publicly stated that because of an "increasing number of cases where accompanying documentation was filled with errors," they are specifically targeting U.S.-origin meat and poultry products (see RS7073).

Federal Antimonopoly Service Looks to Expand the Number of Poultry Importers

A new draft resolution being pushed by the Russian Federal Antimonopoly Service (FAMS) would expand the number of meat importers eligible to receive meat and poultry TRQ allocations in 2008 and 2009. According to FAMS officials, the new draft resolution would eliminate the possibility of importers to "fix prices" on imported meat products by expanding the number of market players. The current meat and poultry TRQ allocation is based on the quantity of meat shipments importers purchased during the previous year (known as the historical principle). The FAMS draft resolution would give new meat traders access to quota distribution in proportion to the amount of volume purchased, either within quota or out-of-quota, over the previous 3 years. This means that meat traders that imported product in 2005 and/or 2006 but not in 2007 would still get TRQ allocation in 2008.

Customs Commodity Position for Chicken Leg Quarters Changed

Customs changed the commodity code for chicken leg quarters from 020714700 to 020714200 effective October 2007. The indicative price(s) for the new code 0207142001 (within the quota volume) are shown below:

- 0.60 USD/kilogram – United States
- 0.90 USD/kilogram - Brazil, Argentina
- 1.00 USD/kilogram - Other countries

New Russian National Standard Approved for Chicken Meat

A new voluntary Russian national standard for chicken meat, known as GOST 52702-2006, was approved late in 2007 and took effect January 1, 2008. This standard advances the use of fresh/chilled poultry meat used for further processing. This means that those facilities that use frozen poultry meat for products derived from further processing cannot state on the label that it produced in accordance with this GOST. All imported poultry meat is frozen.

GOST 52702-2006 is voluntary and is in agreement with Federal Law No. 184-FZ (dated December 27, 2002) on technical regulation as amended by Federal Law No. 65-FZ (dated May 1, 2007). This Federal law on technical regulations establishes the minimum requirements necessary to ensure product safety. Many suggest that producers should indicate on the product label whether the product was done in accordance with GOST regulations. Most Russian consumers believe that only products produced in accordance with GOST standards meet the appropriate safety and quality levels even though there is no scientific evidence to show that using only fresh/chilled poultry meat for further processed products is safer than using frozen poultry meat. An increasing number of consumers are checking product labels to see if GOST is mentioned.

Table 7. Russia: Poultry Meat and Offal Imports, in metric tons, by country

Rank	Country	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007	Percent Change 07/06
0	--The World--	937,690	933,942	913,567	-2.18
1	United States	585,813	644,932	646,874	0.3
2	Brazil	178,170	145,555	138,591	-4.78
3	Germany	74,355	43,865	51,714	17.89
4	France	44,111	38,204	38,178	-0.07
5	Belgium	13,061	21,310	15,400	-27.73
6	Netherlands	5,520	8,402	7,534	-10.33
7	Canada	9,351	3,119	4,107	31.69
8	United Kingdom	11,140	16,529	3,660	-77.86
9	Argentina	6,502	1,473	2,487	68.83
10	Finland	1,446	4,129	2,419	-41.42

Source: World Trade Atlas

Table 8. Russia: Poultry Meat and Offal Imports by Product Type, in metric tons

HS Code	Description	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007	Percent Change 07/06
0207 Poultry Meat & Offals	Total	937,690	933,942	913,567	-2.18
020714	Chck Cut+Ed Ofl,Frz	790,728	816,075	808,439	-0.94
020712	Chicken,Whole,Frz	74,605	53,826	56,975	5.85
020727	Trky Cut+Ed Ofl,Frz	49,972	63,164	45,554	-27.88
020726	Trky Cut+Ed Ofl F/C	21,683	333	1,020	206.38
020725	Turkey,Whole,Frz	412	41	61	49.08

Source: Customs Committee of Russia

Table 9. Russia: Average Declared Price on Imported Poultry and Meat Products, in USD/kilogram

HS Code	Description	Jan-Sep 2005	Jan-Sep 2006	Jan-Sep 2007	Percent Change 07/06
02 Meat		.94	1.29	1.52	17.39
0202	Beef, Frozen	1.36	2.13	2.4	12.64
0203	Pork, Fresh Or Frozen	1.45	2.12	2.43	14.35
0207	**Poultry Meat, Offal**	**0.64**	**0.7**	**0.79**	**13.26**
0206	Edible Animal Offal	0.68	0.95	1.07	12.61
0209	Pig And Poultry Fat	0.6	0.68	0.77	13.40
0201	Beef Fresh/Chilled	1.75	2.74	3.29	20.08
0205	Horses, Asses, Mules	1.18	1.41	1.58	11.83
0208	Other Frozen Or Fresh	1.15	2.05	2.5	22.14
0204	Sheep Or Goats	1.35	1.82	2.15	18.13
0210	Salted, Dried, Etc	2.26	2.11	3.02	43.39

Source: Customs Committee of Russia

Other Relevant Reports

RS8007 Implementation Date Extended on Points of Entry for Meat Products
http://www.fas.usda.gov/gainfiles/200802/146293789.pdf

RS8006 Food Price Control Will Be Extended Until May 1, 2008
http://www.fas.usda.gov/gainfiles/200801/146293562.pdf

RS8005 Import Duties on Meat and Poultry Changed
http://www.fas.usda.gov/gainfiles/200801/146293553.pdf

RS8003 Russia and Brazil Sign Protocol on Meat Shipments
http://www.fas.usda.gov/gainfiles/200801/146293483.pdf

RS7094 List of Essential Commodities Subject to Potential Export Ban
http://www.fas.usda.gov/gainfiles/200712/146293328.pdf

RS7093 25 Percent of 2008 Meat and Poultry Tariff Rate Quota Distributed
http://www.fas.usda.gov/gainfiles/200712/146293295.pdf

RS7085 Russian Customs Limits Ports of Entry for Meat
http://www.fas.usda.gov/gainfiles/200711/146293118.pdf

RS7078 Registration Procedures for GMO Feeds
http://www.fas.usda.gov/gainfiles/200711/146292888.pdf

RS7073 Poultry Annual Report
http://www.fas.usda.gov/gainfiles/200710/146292768.pdf

RS7070 Russian Government Resolution on Temporary Export Duties on Wheat and Barley
http://www.fas.usda.gov/gainfiles/200710/146292739.pdf

RS7068 Grain Export Tariffs Coming in November
http://www.fas.usda.gov/gainfiles/200710/146292716.pdf